



Coronavirus Relief Legislation Includes Important Tax Provisions

Yesterday, President Trump signed legislation providing support to Americans affected by coronavirus. The Families First Coronavirus Response Act, or H.R. 6201, provides for paid sick leave and free coronavirus testing and expands food assistance and unemployment benefits. Notably, H.R. 6201 also provides businesses with tax credits for qualified sick and family leave wages paid to employees.

[Paid Sick Leave](#)

Part of H.R. 6201, the Emergency Paid Sick Leave Act, requires government employers and private employers with fewer than 500 employees to provide employees with two weeks of paid sick leave at the employee's regular pay if the employee is unable to work because he or she:

- Is subject to a federal, state, or local quarantine or isolation order related to coronavirus;
- Has been advised by a healthcare provider to self-quarantine due to coronavirus concerns; or
- Is experiencing symptoms of coronavirus and seeking a medical diagnosis.

The amount of paid sick leave per employee is limited to \$511 per day and \$5,110 total.

The Act also requires these employers to provide employees with two weeks of paid sick leave at two-thirds the employee's regular pay to care for another individual in quarantine or for a child whose school has closed or childcare provider is unavailable because of coronavirus precautions. The amount of paid sick leave for these employees is limited to \$200 per day and \$2,000 total.

Full-time employees are entitled to paid sick leave for 80 hours. Part-time employees are entitled to paid sick leave for the number of hours they work, on average, over a two-week period.

[Paid Family Leave](#)

The Emergency Family and Medical Leave Expansion Act, another part of H.R. 6201, provides certain government employees and employees of private businesses with fewer than 500 employees who have been on the job for at least 30 days with 12 weeks of job-protected leave. Employees qualify for paid family leave if they are unable to work due to a need to care for a child whose school or place of care has closed due to a "public health emergency." A "public health emergency" is defined as a coronavirus emergency declared by a federal, state, or local authority.

The first 10 days of family leave may be unpaid. After the first 10 days, employers must provide employees with no less than two-thirds of their usual pay. Paid family leave per employee is limited to \$200 per day and \$10,000 total.

Potential Exemption for Certain Employees and Small Businesses

The Act permits the Labor Department to issue regulations allowing employers to exclude certain healthcare providers and emergency responders from paid sick and family leave benefits. The Department also has authority to exempt small businesses with fewer than 50 employees from the paid sick and family leave requirements if complying would jeopardize the viability of the business.

Refundable Payroll Tax Credits for Employers

H.R. 6201 provides for refundable tax credits for employers who provide paid sick or family leave, which can be taken against the employer's payroll or railroad retirement taxes. Employers are entitled to a credit against FICA taxes.

Employers are entitled to a refundable tax credit equal to 100% of "qualified sick leave wages" paid each calendar quarter. "Qualified sick leave wages" are those paid under the provisions of the Emergency Paid Sick Leave Act.

The amount of qualified sick leave wages an employer can take into account per employee is capped at \$511 per day for employees who are required or advised to self-quarantine or are experiencing symptoms of coronavirus and seeking a diagnosis. For employees caring for another individual in quarantine or a child whose school or place of care is closed, the amount of qualified sick leave wages the employer can take into account is capped at \$200 per day. The total number of days an employer can take into account per employee is limited to 10 days for all calendar quarters.

Employers also are entitled to a refundable payroll tax credit equal to 100% of "qualified family leave wages" paid each calendar quarter. "Qualified family leave wages" are wages paid under the Emergency Family and Medical Leave Expansion Act. The amount of qualified family leave wages an employer can take into account per employee is capped at \$200 per day and \$10,000 for all calendar quarters.

Beyond the wage limits, both the paid sick and family leave tax credits are increased to include amounts employers pay for the employee's health plan coverage while the employee is on leave.

To prevent a double benefit, the law prohibits employers from taking a deduction for the wages paid equal to the amount of any credit received.

Refundable Tax Credits for Self-Employed Individuals

H.R. 6201 also provides for refundable tax credits against the self-employment tax. The sick leave tax credit is 100% of the "qualified sick leave equivalent amount" for self-employed individuals required to self-quarantine or experiencing symptoms of coronavirus and seeking a diagnosis. For these individuals, the "qualified sick leave equivalent amount" is the lesser of their average daily self-employment income or \$511 per day.

For self-employed individuals caring for someone else in quarantine or a child whose school or place of care is closed, the sick leave tax credit is 67% of the "qualified sick leave equivalent amount." The "qualified sick leave equivalent amount" for these individuals is the lesser of their average daily self-employment income or \$200 per day.

The family leave tax credit for self-employed individuals is 100% of the "qualified family leave equivalent amount." This amount is the lesser of 67% of their average daily self-employment income or \$200 per day. Self-employed individuals may receive this credit for up to 50 days.

The provisions of the Emergency Paid Sick Leave Act and the Emergency Family and Medical Leave Expansion Act take effect on April 2, 2020 (15 days from the date of enactment) and expire December 31, 2020. Employer payroll tax credits apply to wages paid beginning on the date selected by the Treasury Department (which must be during the 15-day period beginning on the date of enactment) and ending on December 31, 2020. Likewise, self-employment tax credits apply to the days beginning on the date selected by the Treasury Department and ending on December 31, 2020.

Businesses affected by coronavirus should ensure they are complying with the requirements of this legislation and are taking advantage of any associated tax credits that may be available.

The matters discussed above provide general information only.

The information is neither tax nor legal advice. You should consult with a qualified professional advisor about your specific situation before undertaking any action.